

ILLINOIS POWER COMPANY

SUPPLEMENTAL STATEMENT

ACCOMPANYING LETTER OF TRANSMITTAL DATED OCTOBER 31, 2002

With this filing, Illinois Power Company ("Illinois Power" or the "Company") proposes certain changes to its Rider TC – Transition Charge for Customers, Rider PPO – Power Purchase Option Service, and Rider MVI – Market Value Index tariffs. The proposed changes are in conjunction with Illinois Power's proposed Rider MVI II tariff filed October 1, 2002. Each of these proposed changes is described in greater detail below.

Rider TC

Illinois Power's Rider TC, Transition Charge for Customers, is an existing tariff that provides for the calculation and imposition of Transition Charges. Because the Company's Rider MVI and Rider MVI II are used to calculate the unadjusted base market rates which are the initial inputs into the calculation of the Market Value energy credit of the Customer's Transition Charge, appropriate adjustments are made within Rider TC itself, including the application of price shaping, capacity/reserve credits and other credits. To maintain consistency with prior application of the Tariff, the Company proposes to retain the current interaction of its Rider MVI II and Rider TC. As such, several revisions to Rider TC are proposed in conjunction with the Company's Rider MVI II filing.

Multi-Year Market Values

Illinois Power proposes to contract for market values in Transition Charges for periods greater than one year with such Multi-Year Market Values determined pursuant to Rider MVI II. A new appendix, Appendix 3, has been added to the tariff for the purpose of reporting such Multi-Year Market Values. To the extent Multi-Year Market Values are determined pursuant to Rider MVI II, such Multi-Year Market Values shall be filed in an annual Information Sheet to Appendix 3 of Rider TC on or before the fifteenth day of December. In addition, Illinois Power also proposes changes to Section 7 of this rider to define the conditions of service for Customers electing a Transition Charge with a Multi-Year Market Value. In electing a Transition Charge with a Multi-Year Market Value, the Customer will become ineligible to receive service under the Utility's Rider PPO, Rider PRS, Rider ISS, or any Bundled Service Classifications for the duration of the Multi-Year Market Value contract. While the language set forth in Section 7 clearly addresses this stipulation, Illinois Power proposes to require Customers to sign an affidavit acknowledging the Customer's agreement and understanding of such conditions.

Capacity Demand Credit

Illinois Power proposes to revise Section 4(a) of Rider TC to include a Capacity Demand Credit in the market value, Mkt(i), equation. Previously referred to as Regulatory Capacity, the Capacity Demand Credit will be a specified price per kW month applied to either the Customer's maximum monthly demand, or in the case of a standby customer, to monthly distribution capacity. Likewise, Appendix 2, which is also used to determine the Customer's electric power and energy rates under Rider PPO, was revised to reflect the value of the Capacity Demand Credit.

"Zuraski" Price Shaping Adjustment

Illinois Power proposes to utilize multiple prior years for the development of the "Zuraski" Price Shaping Adjustment, rather than the current practice of utilizing only one year. Consequently, language specifying that such adjustment would be performed using 12 months of data was removed from Section 4(a) of Rider TC.

Other Proposed Language Changes

In conjunction with the provision for Transition Charges with Multi-Year Market Values, Illinois Power proposes to add to Section 2 of Rider TC a definition for such Multi-Year Market Value. In addition, the definition of Anniversary Date has been updated to include reference to Multi-Year Market Values and to coincide with the definition as presented in the proposed Rider MVI II. A definition for Standby Customer was also added to the tariff in conjunction with the proposed allowance for the Capacity Demand Credit.

In addition, Rider TC currently contains language which references the Neutral Fact Finder (NFF) methodology. Given that all customers have transitioned from the NFF methodology to the current MVI methodology, Illinois Power proposes to remove such references to the NFF from the Rider TC tariff effective with the proposed implementation of Rider MVI II.

Likewise, other such language changes have been made to the tariff to include reference to the Company's proposed Rider MVI II tariff.

Rider PPO

Rider PPO, Power Purchase Option, is an existing optional tariff that provides for unbundled electric supply service to be provided by Illinois Power at market based prices. In conjunction with the proposed Rider MVI II and the anticipated changes to Rider TC, certain revisions to Rider PPO are proposed to reflect Transition Charges with Multi-Year Market Values, the Capacity Demand Credit, and the implementation of Rider MVI II. Language added to Section 2 of Rider PPO specifically addresses the transition of existing PPO Customers electing a Transition

Charge with a Multi-Year Market Value from PPO to RES Supply Service. Consistent with the language set forth in Section 7 of Rider TC, in electing a Transition Charge with a Multi-Year Market Value the Customer waives all rights to service under the Utility's Rider PPO for the duration of the Multi-Year Market Value contract. In addition, language was added to incorporate the use of the Capacity Demand Credit, which is stated in Appendix 2 to Rider TC, in the pricing of the electric power and energy a Customer takes under Rider PPO. Such Capacity Demand Credit shall be applied each billing period to each kW of Customer's Firm PPO Capacity. Also, other language changes have been made to the tariff to include reference to the Company's proposed Rider MVI II tariff.

Rider MVI

The current Rider MVI tariff sunsets with the conclusion of the May 2004 bill cycle month. Since Rider MVI II is proposed to commence on the first bill cycle of July 2003, it is necessary to revise the sunset provision in the current Rider MVI tariff to coincide with the implementation of the new Rider MVI II tariff. However, for Customers already taking service under Service Classification 110 prior to bill cycle one of July 2003, the market values utilized in Customer's Transition Charge and, if applicable, utilized to determine the prices of electric power and energy for purposes of Rider PPO shall continue to be effective until Customer's next Anniversary Date.

Implementation

The proposed tariff changes as outlined in this filing are subject to the approval and implementation of Rider MVI II. The Market Values used to calculate Transition Charges for Customers already taking Delivery Services prior to the effective date of the proposed Rider MVI II will remain in effect until the Customer's next Anniversary Date.

Public Notice

Illinois Power Company will give notice of this filing to the public by publishing notice in newspapers of general circulation throughout the Company's service territory in accordance with 83 Illinois Administrative Code Part 255. Illinois Power is also giving notice to certain industrial customers as required by their service contracts.